Public Service Pension Plan

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED MARCH 31, 1990

Alberta
TREASURY

91-05806/

PUBLIC SERVICE PENSION PLAN

ANNUAL REPORT

for the fiscal year ended March 31, 1990

PROVINCIAL TREASURER
224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6

The Speaker of the Assembly

Sir:

Pursuant to section 4 of the Public Service Pension Plan Act, being Chapter P-35.1 of the 1984 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Public Service Pension Plan for the fiscal year ended March 31, 1990.

Respectfully submitted,

Dick Johnston
Provincial Treasurer

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Introduction

The Public Service Pension Plan was established effective April 1, 1947, by the Public Service Pension Act to provide a contributory pension scheme for employees of the Alberta government, its agencies, boards, commissions, and other public service bodies approved by the Lieutenant-Governor in Council. Members of the Legislative Assembly also participated in the Public Service Pension Plan until the establishment of a separate pension plan for Members of the Legislative Assembly in 1969. Similarly, on the establishment of the Public Service Management Pension Plan in 1972, the Alberta government employees whose positions were designated as "Management" transferred to the Public Service Management Pension Plan.

The Public Service Pension Act was repealed on November 1, 1985, and replaced by the Public Service Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Public Service Pension Plan Board was assigned an advisory and appellate role.

Plan Overview

The Public Service Pension Plan is a contributory defined benefit plan. Since January 1, 1989, both employees and employers have contributed at a rate of 4.375 percent of basic salary, up to the year's maximum pensionable earnings under the Canada Pension Plan, and 6.25 percent on any excess. The net amount of pension contributions less payments is deposited to or withdrawn from the Pension Fund pursuant to the Pension Fund Act. The income of the Pension Fund accrues to and forms part of the Fund. The Government of Alberta guarantees the payment of all benefits under the Public Service Pension Plan.

Members may retire at any time after age 55 if they have accumulated five years of pensionable service. Normal pensionable age is 65, but members may also retire on an unreduced pension at any time after age 55 providing that pensionable service plus age totals not less than 85. There is no mandatory retirement age. Pension benefits are based on the number of years of pensionable service multiplied by 1.4 percent of salary up to the maximum pensionable earnings under the Canada Pension Plan and two percent of the excess salary. Salary is calculated as the highest average pensionable earnings for five consecutive years. If the member has a spouse, unless a waiver is signed by the spouse, the pension must be a joint pension guaranteed for the life of the member and spouse. The normal form of a pension is for the life of the member with a five year guarantee period. Single members may elect a life pension, choosing a normal pension, or a 10, 15 or 20 year guarantee period. They may also elect a joint life pension based on their life and that of a nominee.

The Plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit.

Review of Operations

The Public Service Pension Plan is administered by the Payroll and Pensions Division of Alberta Treasury.

In order to increase efficiency and improve service to employers and participants, Payroll and Pensions continues to upgrade its automated systems. Enhanced prior service, data input and participant record keeping systems were developed to improve information gathering and accommodate policy and procedural changes.

Pension forms were completely redesigned and master copies of each form have been provided to employers. By allowing the production of forms as required, stockpiling and wastage occasioned by form changes are eliminated.

Actuarial Liabilities

An independent actuarial valuation carried out at March 31, 1988, estimated the accrued liability of the Public Service Pension Plan to be $2,248,919,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 13.5 percent.

Participation

At March 31, 1990, there were 47 employers participating in the Public Service Pension Plan, 50,940 active contributors and 3,221 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A summary of the participating employers and the number of participants is provided in the section on Contributions.

Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the year. These transfers are not reflected in the Statement of Receipts and Payments.

	Transfers To Public Service Pension Plan $	Transfers From Public Service Pension Plan $
Public Service Management Pension Plan	368,116	6,783,124
Local Authorities Pension Plan	2,576,485	3,021,490
Universities Academic Pension Plan	3,541	566,815
	2,948,142	10,371,429

Reciprocal Agreements

At March 31, 1990, the Public Service Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

Within Alberta
- Alberta Government Telephones Pension Plan
- Alberta Teachers' Retirement Fund
- Local Authorities Pension Plan
- Public Service Management Pension Plan
- Universities Academic Pension Plan

Outside Alberta
- Canada Mortgage and Housing Corporation
- Council of Maritime Premiers
- Dalhousie College and University
- Government of British Columbia
- Government of Canada
- Government of Ontario
- Health Sciences Centre of Manitoba
- Manitoba Civil Service Superannuation Board
- McGill University
- McMaster University
- Ontario Colleges of Applied Arts and Technology
- Ontario Municipal Employees Retirement Board
- Ontario Teachers' Superannuation Commission
- Ontario Workers' Compensation Board
- Province of New Brunswick
- Province of Prince Edward Island
- Regina Civic Employees' Superannuation and Benefits Plan
- Ryerson Polytechnical Institute
- Saskatchewan Crown Investments Corporation
- Saskatchewan Health Care Association
- Saskatchewan Municipal Employees' Superannuation Commission
- Saskatchewan Power Corporation Superannuation Board
- Saskatchewan Public Service Superannuation Board
- Saskatchewan Research Council
- Saskatchewan Teachers' Superannuation Commission
- University of Guelph
- University of Manitoba
- University of Toronto

Reciprocal Transfers

During the year ended March 31, 1990, the following number and value of reciprocal transfers were undertaken:

	Transfers To Public Service Pension Plan		Transfers From Public Service Pension Plan	
	Number	Amount $	Number	Amount $
Alberta Government Telephones Pension Fund	3	37,781	13	133,423
Alberta Teachers' Retirement Fund	6	192,236	3	46,130
Government of British Columbia	–	–	15	108,224
Government of Canada	30	343,859	38	536,529
Government of Ontario	–	–	6	111,799
Ontario Municipal Employees Retirement Board	–	–	3	94,503
Saskatchewan Health Care Association	3	43,254	–	–
Other	9	130,391	4	53,643
	51	747,521	82	1,084,251

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1990:

	Participants At March 31, 1990	Contributions Received		
		Employee $	Employer $	Total $
Government of Alberta	29,835	40,330,324	39,081,569	79,411,893
Alberta Alcoholism and Drug Abuse Commission	359	482,433	473,024	955,457
Alberta Cancer Board	780	1,348,336	1,312,184	2,660,520
Alberta Educational Communications Corporation	184	259,283	256,284	515,567
Alberta Hail and Crop Insurance Corporation	122	145,568	137,824	283,392
Alberta Liquor Control Board	1,245	1,601,596	1,542,694	3,144,290
Alberta Mortgage & Housing Corporation	462	695,347	673,838	1,369,185
Alberta Opportunity Company	94	145,211	145,571	290,782
Alberta Racing Commission	16	29,258	29,258	58,516
Energy Resources Conservation Board	774	1,347,629	1,334,615	2,682,244
Petroleum Marketing Commission	105	186,445	172,797	359,242
Special Areas Board	97	140,112	130,163	270,275
Treasury Branches	2,595	2,573,174	2,522,602	5,095,776
Workers' Compensation Board	1,463	1,725,295	1,690,426	3,415,721
University of Alberta	3,933	4,979,180	4,633,396	9,612,576
Athabasca University	139	143,896	139,763	283,659
University of Calgary	1,964	2,123,726	2,081,899	4,205,625
University of Lethbridge	306	301,561	292,444	594,005
Banff Centre for Continuing Education	252	256,159	255,698	511,857
University of Alberta Hospital	4,598	5,574,692	5,440,975	11,015,667
Health Units	1,610	1,953,419	1,844,852	3,798,271
Alberta Union of Provincial Employees	4	6,367	6,367	12,734
Other	3	6,325	6,325	12,650
Accounts Held on Deposit	3,221	–	–	–
	54,161	66,355,336	64,204,568	130,559,904

Refunds

The following amounts of member contributions and interest were refunded during the year to members terminating employment:

In addition, 146 refunds of excess contributions totalling $46,737 were made to members and employers during the year.

	Number	Amount $
Cash	2,525	6,599,303
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	1,508	8,451,507
	4,033	15,050,810

Death in Service Benefits

In the current year, 68 members died while in service. Twenty-eight of the surviving spouses were granted spousal pensions. Lump sums were paid in respect of the other 40 deaths in service to a total of 50 individual beneficiaries.

Information and Counselling Services

During the year, Payroll and Pensions Division presented pre-retirement and information seminars in both Edmonton and Calgary. Approximately 25 participants attended each seminar and received information on retirement benefits and services.

Payroll and Pensions Division assisted the Alberta Retired Public Employees Society with the publication of Postscript. Postscript is a quarterly newspaper provided free of charge to pensioners. A regular information bulletin called Pension News was prepared for employers to assist them in carrying out their responsibilities under the pension plan.

Annual statements containing information on pensionable service, contributions and prior service, were produced and forwarded to employers for distribution to active participants in the plan.

Pension Benefits

During the year ended March 31, 1990, pension benefits paid totalled $84,529,000, an increase of $2,584,744 (3.2 percent) over the previous year.

A total of 430 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

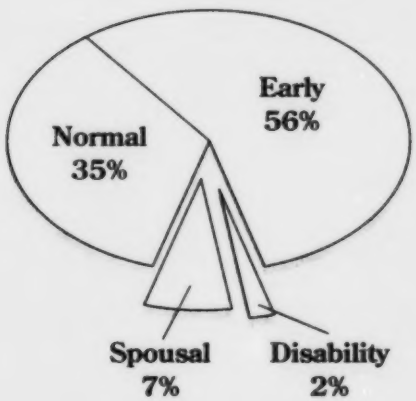
	1990		1989	
Normal Retirement	152		198	
Early Retirement	241	(155)	346	(213)
Partial or Total Disability	9	(6)	6	(3)
Death-in-Service (Spousal)	28	(9)	39	(12)
	430	(170)	589	(228)

( ) Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or federal Old Age Security (OAS) payments.

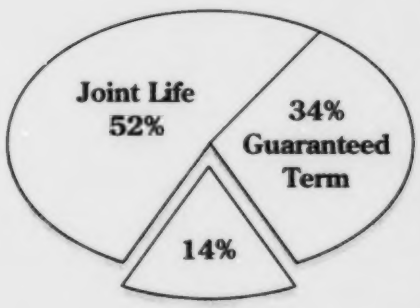
Of the above retirements, 72 were in respect of deferred retirements from previous years (six normal, 61 early and five disability).

The charts below illustrate the relative proportions of retirements during the year by type of pension and option chosen:

Type



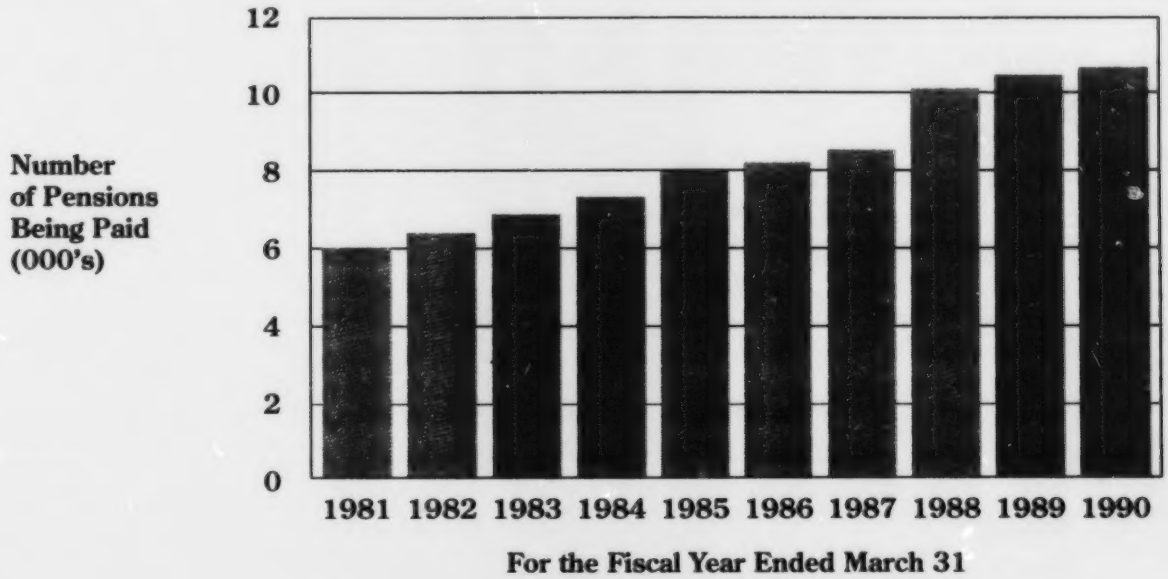
Option



Pension options selected by members were as follows:

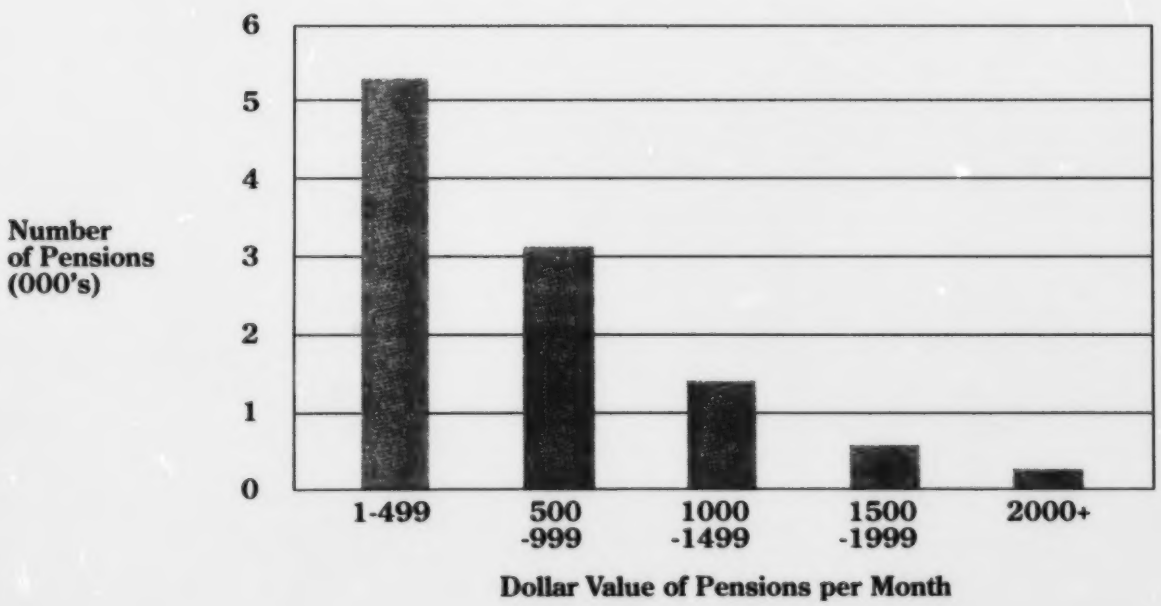
	At March 31, 1989	New Retirements	Beneficiaries	Deaths	End of Guarantee Term	At March 31, 1990
Member Pensions						
Normal (guaranteed 5 years)	1,721	35	2	(37)	(5)	1,716
Single Life	1,228	57		(35)		1,250
Guaranteed 10 years	1,912	39	20	(78)	(15)	1,878
Guaranteed 15 years	1,312	19	23	(36)	(29)	1,289
Guaranteed 20 years	1,102	31	27	(29)	(9)	1,122
Joint Life non-reduced	1,611	161	22	(26)		1,768
Joint Life reduced one third	614	55	9	(19)		659
Joint Life reduced one half	153	5	5	(8)		155
Spousal Pensions						
Single Life	308	5		(9)		304
Guaranteed 5 years	43	1				44
Guaranteed 10 years	83	2		(2)		83
Guaranteed 15 years	87	2	2	(1)		90
Guaranteed 20 years	332	18	1	(8)		343
Total Pensions	10,506	430	111	(288)	(58)	10,701
Pensions Co-ordinated with CPP and/or OAS	4,657	170	36	(98)	(23)	4,742

The number of pensions being paid at the end of each of the last ten years is presented in the graph below:



The schedule and graph below categorize the pensions in effect at March 31, 1990, by dollar value of monthly pension:

Dollar Value Per Month $	Member Pensions	Spousal Pensions	Total
1 - 499	4,783	542	5,325
500 - 999	2,900	240	3,140
1,000 - 1,499	1,344	59	1,403
1,500 - 1,999	556	19	575
2,000 and over	254	4	258
	9,837	864	10,701



Effective January 1, 1990, a cost of living adjustment of 3.25 percent was granted to those pensioners in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the calendar year 1989.

Statement of Receipts and Payments
Year Ended March 31, 1990

	1990 $	1989 $
RECEIPTS		
Employee contributions	66,355,336	59,012,101
Employer contributions	64,204,568	57,008,500
Interest on overdue receivables	808	5,730
Total Receipts	130,560,712	116,026,331
PAYMENTS		
Benefits		
Pensions to retired members	78,272,483	76,027,555
Pensions to surviving spouses	5,180,893	4,945,426
Lump sums to beneficiaries of deceased pensioners	615,917	505,042
Lump sums to beneficiaries of deceased employees	459,707	466,233
	84,529,000	81,944,256
Withdrawals		
Refunds of contributions and interest to terminated members	15,050,810	14,663,496
Reciprocal agreement transfers	1,084,251	1,013,919
Refunds of excess contributions	46,737	112,044
	16,181,798	15,789,459
Total Payments	100,710,798	97,733,715
Excess of Receipts over Payments	29,849,914	18,292,616

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five fiscal years. In addition, a graph is presented to illustrate a ten year trend.

(000's)

Fiscal Year	RECEIPTS			PAYMENTS			Excess of Receipts Over Payments
	Employee $	Employer $	Total $	Benefits $	With-drawals $	Total $	$
1989/90	66,355	64,205	130,560	84,529	16,182	100,711	29,849
1988/89	59,012	57,014	116,026	81,944	15,789	97,733	18,293
1987/88	54,864	52,433	107,297	75,960	15,025	90,985	16,312
1986/87	52,747	51,614	104,361	59,442	13,231	72,673	31,688
1985/86	48,427	47,720	96,147	54,242	12,887	67,129	29,018